

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Every Door Direct Mail Retail Discount

Docket No. R2020-2

PUBLIC REPRESENTATIVE COMMENTS  
(June 22, 2020)

On June 1, 2020, the Postal Service filed a Notice of Market-Dominant Price Adjustment.<sup>1</sup> On June 2, 2020, the Commission noticed the filing and provided the opportunity to comment on whether the filing is consistent with statutory and regulatory requirements.<sup>2</sup> On June 4, 2020, Chairman's Information Request No. 1 (CHIR No. 1) was issued and the Postal Service responded the next day.<sup>3</sup>

The Public Representative respectfully submits the following comments.

I. BACKGROUND

The Postal Service is seeking approval for one promotional discount for Every Door Direct Mail Retail (EDDM Retail Discount) to be offered from August 1, 2020 through September 30, 2020. Notice at 3. The Postal Service explains that the impetus for the EDDM Retail Discount is "[t]he extraordinary and unprecedented nature of the COVID-19 pandemic and the current economic downturn has severely harmed many businesses." *Id.* The proposed EDDM Retail Discount is a rate incentive that will

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<sup>1</sup> United States Postal Service Notice of Type 1-C Market Dominant Price Change, June 1, 2020 (Notice).

<sup>2</sup> Notice and Order on Price Adjustment for Market Dominant Products, June 2, 2020 (Order No. 5526).

<sup>3</sup> Chairman's Information Request No. 1, June 4, 2020 and Response of United States Postal Service to Chairman's Information Request No. 1, June 5, 2020. .

provide a 10 percent discount on EDDM Retail pieces, reducing the price from \$0.191 to \$0.172. *Id.*

## II. COMMENTS

The Postal Service EDDM Retail product provides a simplified product that is “designed to make advertising through the mail more accessible and attractive for small and medium sized businesses.”<sup>4</sup> In the instant docket, the Postal Service is proposing a discount for EDDM Retail to “assist small local businesses in recovering from the impact of the pandemic.” Notice at 3. As discussed in more detail below, the Public Representative recommends that the Commission approve the proposed EDDM Retail Discount because it meets the requirements of 39 CFR 3030 and it will likely benefit small local businesses during the COVID-19 pandemic. The Public Representative notes that the EDDM Retail Discount will not impact workshare discounts and will only minimally impact the USPS Marketing Mail required commercial nonprofit ratio. Finally, the Public Representative observes that the Postal Service has appropriately balanced the objectives and factors of the PAEA as they relate to the EDDM Retail Discount.

*Price Cap Compliance.* The Postal Service proposes the Type 1-C rate adjustment for the EDDM Retail Discount rate incentive. Therefore, the Public Representative first reviews whether the EDDM Retail Discount can be included in the percentage change in rates calculations consistent with the Commission rules for rate incentives, and second whether the Postal Service’s Type 1-C rate adjustment filing is appropriate and accurate for the EDDM Retail Discount.

The Commission has established specific rules to address when/if a rate incentive, like the proposed EDDM Retail Discount, can be included in the percentage change in rates calculation. See Order No. 2086 and 39 C.F.R. § 3030.512(b)(9). The Commission rules limit the inclusion of rate incentives in the percentage change in rates

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<sup>4</sup> Notice of the United States Postal Service of Market Test of Experimental Product—Marketing Mail Made Easy, January 12, 2011, at 2 (Notice of Market Test).

calculations to rate incentives that (1) that the rate incentive is in the form of a discount or can easily be translated into a discount; (2) that sufficient billing determinants are available; and (3) that the rate incentive is a rate of general applicability. 39 CFR 3030.523(e).

The Public Representative has reviewed the Postal Service' filing, and concludes that all of the requirement of 39 CFR 3030.523(e) are met, and the Postal Service should be authorized to generate unused rate adjustment authority for the EDDM Retail Discount. In addition, the Public Representative notes that 39 CFR 3030.512(b)(9) requires the Postal Service to provide "sufficient information to demonstrate that the rate incentive is a rate of general applicability." 39 CFR 3030.512(b)(9). The Postal Service did not explicitly file the information required. However, the Public Representative concurs with the Postal Service's Response to CHIR No. 1 that the EDDM Retail Discount is a rate of general applicability. See CHIR No.1 and Response to CHIR No. 1.

Next, the Public Representative reviews whether the rate adjustment is appropriately classified as at Type 1-C rate adjustment. A Type 1-C rate adjustment is a more streamlined procedure in the Commission regulations that allows the Postal Service to provide discounts (reduced prices) to mailers while not requiring the Postal Service to construct hybrid billing determinants and a new price cap for the class like as required for Type 1-A and Type 1-B rate adjustments.<sup>5</sup> The Commission regulations limit Type 1-C rate adjustment to rate adjustments that only include rate decreases. 39 CFR 3030.506(a). Type 1-C rate adjustments essentially allow the Postal Service to revise the most recent rate adjustment workpapers, in this case Docket No. R2020-1, with the newly proposed reduced price.<sup>6</sup> Because Type 1-C rate adjustments only permit rate decreases, the outcome of this revision is additional unused rate adjustment

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<sup>5</sup> Docket No. RM2014-3, Order Adopting Final Rules on the Treatment of Rate Incentives and De Minimis Rate Increases for Price Cap Purposes, June 3, 2014, at 5 (Order No. 2086).

<sup>6</sup> Notice of Proposed Rulemaking on the Treatment of Rate Incentives and De Minimis Rate Increases for Price Cap Purposes, November 18, 2013 at 3-6 (Order No. 1879).

authority that the Postal Service may use in future rate adjustments. After reviewing the docket and the accompanying workpapers, the Public Representative concludes that the EDDM Retail Discount only includes a rate decrease, therefore the Type 1-C rate adjustment procedures are appropriate. In addition, the Public Representative has reviewed the Postal Service workpapers for the EDDM Retail Discount and affirms they are consistent with the calculations required for a Type 1-C rate adjustment, and the Postal Service accurately calculated the new cumulative unused rate adjustment authority for the USPS Marketing Mail class of 0.061 percent.

*Workshare Discounts and Preferential Rates.* The Postal Service asserts that the EDDM rate incentive will not change workshare discounts, and will have a minimal impact on the commercial nonprofit ratio required by 39 U.S.C. § 3626(a)(6). Notice at 5. The Public Representative affirms that no workshare discounts will not be impacted and the appropriate commercial nonprofit ratio remains in place.

*Conformance with other objectives and factors in 39 U.S.C. § 3622.* The Postal Service discusses how its proposed promotions assist in the achievement of the objectives and take into account the factors in 39 U.S.C. § 3622. Notice at 5-6. The Public Representative believes the proposed EDDM Retail discount is consistent with the objectives and factors in section 3622. Namely, the Public Representative agrees the EDDM Retail discount balances the Postal Service's pricing flexibility with the financial stability of the Postal Service, because the discount is being offered on a product that had a 259.5 percent cost coverage in FY 2019. See FY 2019 Financial Analysis of United States Postal Service Financial Results and 10-K Statement at Appendix A.

### III. CONCLUSION

For the reasons discussed in these comments, the Public Representative recommends that the Commission approve the proposed EDDM Retail Discount rate incentive.

Respectfully submitted,

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